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UNCLAS SECTION 01 OF 03 ABUJA 000630

SIPDIS

NSC FOR USTR RWHITKER

E.O. 12958: N/A

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SUBJECT: NIGERIA: GUM ARABIC SUCCESS STORY

1. Summary. Ambassador Jeter and AUSTR Whitaker visited Jigawa and Kano states on January 28 and 29 respectively. Two years of negotiations, involving the U.S. private sector, Nigerian State and Federal Governments, USTR and the U.S. Embassy resulted in the January 28 launching of the Gum Arabic Initiative, and the sale of the facility,s entire 2002 annual production to Coca Cola and other U.S. corporate consumers. The Gum Arabic Initiative, jointly funded by USAID and Coca-Cola, established a quality control laboratory in Jigawa and will train farmers on quality control. By producing an unadulterated product of certifiable quality, the Initiative will help Nigerian gum arabic exports to the U.S. grow from virtually zero to encompass the entire crop of Jigawa and much of the superior grade-1 produce from surrounding states, creating at least 600 new jobs. Niger Republic will also be an indirect beneficiary. Gum arabic is the first totally new public-private business opportunity created since Nigeria,s 1999 return to civilian government, and it offers economic development to one of the nation,s poorest areas. In northern Nigeria,s commercial center of Kano, the Ambassador and AUSTR Whitaker met leaders from the private sector, State government officials and the powerful Emir of Kano to discuss developing other goods for export under AGOA. End Summary.

Gum Arabic Project in Jigawa State

2. On January 28, Ambassador Jeter and AUSTR Rosa Whitaker, accompanied by Embassy officers (ECON, USAID), traveled to the Maigatari Export Free Zone in Jigawa State to launch the Gum Arabic Initiative. The ceremony was attended by over 2,000 people, including the governors of Kano, Zamfara, Bauchi, Kebbi, and Jigawa States, the Federal Minister of Agriculture, Minister of Commerce, traditional rulers from Jigawa State, farmers, journalists and private sector representatives, including three of the top purchases of gum arabic from the United States and officials of Coca-Cola.

3. In her speech, AUSTR Whitaker noted that the Gum Arabic Initiative represented an important partnership between the Jigawa State Government, the USG and U.S. industry. The partnership will continue through USAID-provided training for numerous farmers in all gum arabic-producing states on tree cultivation, management and harvesting techniques that will enable them to produce higher-quality gum. Coca-Cola and USAID together funded the construction of a gum arabic quality control laboratory in Maigatari. The quality control laboratory will ensure that Nigerian gum arabic is unadulterated and meets required high U.S. standards.

4. In his remarks, the Ambassador emphasized that the gum arabic initiative was just one step in growing economic cooperation between Nigeria and the U.S. aimed at developing the agricultural sector. The gum arabic launching represented a significant non-oil economic dividend for Nigeria and should help Nigeria establish itself in an important niche market in the U.S., he noted.

5. Presidents of Importers Service Corporation, Atlantic Gums, and executives from Coca-Cola represented the U.S. private sector. These three U.S. firms constitute nearly 70 percent of U.S. gum arabic imports and consume 50 percent of gum arabic exports worldwide. In an historic move, these firms announced their agreement to purchase the entire crop (300 metric tons) of high-grade gum arabic from Jigawa State this season. This purchase is expected to generate 600 jobs for Jigawa farmers. Gum arabic farmers from surrounding states as well as producers from the Niger Republic also stand to benefit as more and more regional production is channeled through Jigawa at the testing facility there. The new quality control laboratory has provided the assurance needed to change U.S. industry's long-standing position of not purchasing Nigerian gum arabic in bulk because of the high level of adulteration.

16. The gum arabic launching was a tremendous success and was favorably featured in all the major media and lauded by many Nigerian leaders. The Minister of Agriculture publicly praised the public-private partnership between the U.S. Government, U.S. industry and the GON. He also announced that the Ministry of Agriculture would promote the production of acacia (gum arabic) seeds and seedlings for distribution to farmers at subsidized rates.

17. This success story has encouraged Nigerian Governors and farmers who look forward to the expansion of the project to other gum producing states, and emulation of this program in other agricultural sub-sectors. In this vein, the Ambassador emphasized that the quality control laboratory and U.S. support for Nigeria's gum arabic exports would not be limited to Jigawa State, but expanded to include the entire gum arabic producing belt.

The Kano Private Sector: Export of Leather Goods and Fruit?

18. On January 28, the Ambassador also hosted a dinner in Kano for AUSTR Whitaker to meet members of the Kano Chamber Of Commerce, Industry, Mines and Agriculture (KACCIMA). Introducing Rosa Whitaker as a leader and key implementor of AGOA, the Ambassador stressed the meeting would allow the Kano Chamber to air concerns or questions regarding AGOA benefits. AUSTR Whitaker explained that AGOA has brought an additional USD 1.2 billion in U.S. trade and USD 1 billion in U.S. investment to Africa. Whitaker gave examples of African achievements using AGOA, including the creation of 30,000 jobs in Madagascar, 50,000 jobs in Kenya, and 66,000 jobs in South Africa, with South Africa now a major exporter of assembled Mercedes Benz and BMW vehicles. Moreover, Namibia had attracted USD 100 million in the garment manufacturing industry, directly tied to AGOA.

19. Whitaker stressed that Nigeria and, in particular, Kano State could benefit from AGOA. She said, for example, that Nigeria could become a leading exporter of leather goods, noting that Kano has comparative advantage in the production of leather. High tariffs on leather goods originating in Taiwan and China would give further advantage to Nigerian leather producers. The Chamber members noted that Nigerian leather is presently exported to Italy and Spain, though on a small-scale. Whitaker offered to link the Nigerian leather goods industry to prospective buyers in the U.S. once the quality is improved and a wholesaler emerges.

110. Chamber members also commented that Nigeria produced large amounts of fruit, which eventually spoiled due to poor storage and preservation techniques. Whitaker replied that if appropriate preservation techniques were adopted, a large market exists in the U.S for fruit and fruit products. She noted that cane and straw products (furniture, baskets etc), also were in high demand in the U.S., a market she believed Nigeria could capture. The Chamber members replied that they would convey Whitaker,s message to their constituency and would define areas where they might need U.S. support. Whitaker promised to help find a market for the products and assist in ensuring that the products meet the required standards.

111. Ambassador Jeter and AUSTR Whitaker also met with key players in the Kano public and private agriculture sector. During the meeting, USAID and the Kano agriculturists agreed to form a committee to discuss on a regular basis USAID programs, such as the farmer-to-farmer program, and link these programs with AGOA export opportunities.

Meeting with Kano State Governor and Emir

112. The Ambassador and Whitaker met January 29 with the Governor of Kano State, Dr. Rabiu Musa Kwankwanso and members of the Governor's Cabinet. Whitaker elaborated on the AGOA initiative and its achievements in Lesotho, Madagascar, Kenya, Namibia and South Africa. She noted that leather (hides) could be produced at a comparative advantage in Kano.

113. Governor Kwankwanso thanked the Ambassador for the Gum Arabic Initiative, noting that the press in Kano State has called it the "Ambassador,s Initiative". The Governor said

that the gum arabic plantation in Jigawa was shared between both States since Jigawa was originally part of Kano State. Governor Kwankwanso said that his government would support farmers' participation in the initiative, and Kano would definitely benefit.

¶14. The Ambassador and Whitaker also paid a courtesy visit on the Emir of Kano, Alhaji Ado Bayero. The Ambassador discussed the willingness of the United States to help the Nigerian agricultural sector and the economy of Kano. USAID had just sponsored a conference for Nigerian exporters and trade associations to identify export products where Nigeria might have a comparative advantage. Whitaker noted that Nigeria was not fully availing itself of opportunities such as AGOA. Nigeria has comparative advantage in several products, e.g. cashew nuts, leather (hides), ginger, sesame and cotton because of duty free treatment under AGOA. The Ambassador advised that a private sector-led development strategy should be pursued in areas such as fertilizer sales and distribution, and USAID had just launched an initiative to do just that.

¶15. Whitaker emphasized that if Nigeria does not move quickly under AGOA, the country could miss the window of opportunity currently provided by large amounts of available capital seeking investment opportunities. The Emir agreed that Kano's economy was based primarily on agriculture and looked forward to future U.S. cooperation with Kano, such as USAID's proposed meetings with Kano agriculturists. The Emir praised the Gum Arabic Initiative and hoped it would be a success.

Jigawa State Governor Turaki

¶16. Governor Turaki, through the gum arabic and other initiatives, provides an excellent example of how a successful State Governor can "deliver the goods" to his constituency. Governor Turaki has generated several initiatives during numerous trips to the U.S. in pursuit of foreign investment and trade. The Governor's success has helped to vindicate him from growing criticism of participating in "excessive" trips abroad.

¶17. Besides the gum arabic initiative, Governor Turaki's other initiatives are noteworthy. First, Arkel Sugar in Louisiana has agreed to develop a sugar production project in Jigawa that may expand to include a bio-mass energy production facility. Second, a Maryland firm, TCS, recently completed the first phase (broad band network) of Jigawa's telecommunications infrastructure as a part of the Governor's plan to have internet accessibility for all schools in the state. Third, the Tennessee Valley Authority (TVA) has been working in Jigawa over the past two years to complete the state's infrastructure plan and will soon begin installing a power project.

¶18. Several prominent Nigerian officials skeptical of Turaki's trips abroad expressed surprise and pleasure that the Governor is now landing deals. These officials unexpectedly opined that of all Nigeria's State Governors, Turaki was the least likely to be re-elected in 2003 due to the perception that he has spent more time abroad than in Jigawa. Many have criticized him for trying to do too much in an unfocused manner. However, President Obasanjo told the Ambassador and Whitaker that he approved of Governor Turaki; "He's a maverick. People think he's a mad-man, but he's mad with a method," he said. Now that Turaki's initiatives have borne fruit, we suspect that his election prospect will be enhanced in 2003.

Comment

¶19. The Gum Arabic Initiative was a great success and positive image-maker for the U.S. Mission in Nigeria. Through this initiative, the USG has made significant inroads in introducing U.S. businesses to Northern Nigeria, a previously overlooked region. Moreover, the USG has earned credibility with the Ministries of Commerce and Agriculture and northern State Governors in bringing U.S. investment into the country. While the Embassy is receiving credit for this program, this initiative was really conceived and implemented by AUSTR Rosa Whitaker. Ms. Whitaker deserves full credit for her hard work and leadership over the past two years to make this initiative a reality.

